

Agency:	107 Health Care Authority
Decision Package Code/Title:	ML2-LL WA HBE Operations
Budget Period:	2015 Supplemental Submittal
Budget Level:	ML2 – Maintenance Level

Recommendation Summary Text

On behalf of the Washington Health Benefits Exchange (the Exchange), the Health Care Authority (HCA) requests \$8,943,000 and 146 FTEs in the fiscal year 2015. This request would raise the Exchange's spending authority from \$20 million to \$28.9 million for the first six months of 2015 to maintain current operations and improve the customer experience to retain current enrollees and generate an additional 85,000 health plan enrollments in 2015.

Specifically, the increased spending authority will leverage federal investments used to develop the Exchange to further improve the customer-friendly application process and increase access to affordable health plans.

Package Description

The Legislature created the Washington Health Benefit Exchange to work with state and federal partners to offer real-time financial assistance for health insurance programs. In its first year of operations, over one million Washingtonians enrolled in private or public coverage through the Washington Healthplanfinder (HPF).

The Washington Health Benefit Exchange provides a central marketplace for individuals, families and small businesses in Washington to purchase free or low cost health insurance. Built in coordination with the Department of Social and Health Services (DSHS), the HCA, the Office of the Insurance Commissioner (OIC), and relying on data from several federal agencies (e.g., The Internal Revenue Service (IRS), the Social Security Administration (SSA), the Office of Homeland Security, through a federal data hub), the Exchange is able to provide real time eligibility determination for Medicaid and access to subsidies to help with the purchase of private health insurance in the individual market.

Over 1.2 million Washingtonians – approximately one in six Washington residents – have obtained or renewed their health coverage through the Washington HPF. Of this group, over 150,000 purchased private health insurance; over 550,000 are newly enrolled by Medicaid; and an additional 580,000 renewed Medicaid coverage. These results have exceeded expectations of both private and public insurance offered in the Exchange. Of note, Medicaid enrollment has exceeded projections for January 2018.

Overall, Washington's uninsured rate has decreased by over five percent, one of the highest reductions in the nation. This translates into 370,000 previously uninsured individuals obtaining health insurance. The proportion of uninsured patients at Seattle's largest safety-net hospital fell from 12 percent last year to two percent after the initial Exchange open enrollment period was complete.

Through August 2014, the Exchange has facilitated the receipt of nearly \$300 million in federal subsidies to lower customers' health care costs. Additionally, because the Medicaid expansion is

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initially 100 percent federally funded, the state has received over \$1.5 billion in federal funds for this population.

An estimated 8.5 percent of Washington residents remain uninsured. To continue to leverage the initial federal investment and to capitalize on the enrollment successes of 2014 and improve the experience for customers, the Exchange needs to continue to develop tools that help customers make informed choices about their health insurance. This request supports the maintenance and operation of the Healthplanfinder eligibility determination portal, as well as improvement of existing customer tools, such as the Navigator and Broker directory which allows customers to search for individuals who can offer enrollment assistance; the plan comparison tool which allows side-by-side comparison of up to three plans; and the provider directory which allows customers to determine which plans cover their providers. Washington is one of only a few states that offers an embedded provider directory in the marketplace.

The Exchange is bringing health care to many residents for the first time, enabling the state to reach its health improvement goals. But residents need help to understand how to use and retain their health insurance. The Exchange supports a robust customer support network that includes a call center, a Navigator program, and a broker and agent support team that provides one-on-one assistance to customers. Through this network of partners across the state, the Exchange is able to offer community-level engagement with customers. These critical community partners offer essential enrollment services and help the Exchange to meet its enrollment targets. Continued support of Exchange customer assistance functions will help residents maximize and maintain their coverage.

Additionally, Washington residents need affordable plan options that meet their cost and coverage needs. The Exchange promotes competition and plan choice. Eight health insurers are offering 46 plans in the Exchange for 2014. All of these carriers will continue to offer coverage in 2015, and have increased their plan offerings with minimal rate increases. At least two new carriers will join the marketplace in 2015, bringing the total number of carriers to 10 and the total number of plans sold through the Exchange to 90. This improved participation will result in increased coverage options for customers in both urban and rural areas throughout the state. This funding request sustains robust carrier participation. It also continues to support new carriers that may be interested in joining the Exchange to further offer competitive choices at affordable rates. Raising the budget cap allows for the Exchange to continue to support the carriers as participants in the Exchange.

The Exchange has been open to customers for less than a year. The marketplace is still in its development phase—the Exchange is continuing to improve current system functionality and build required new functionality (e.g., the renewal process, quality rating system). Until the system is optimized, continued investment in infrastructure development and maintenance will be critical to realize further return on the initial investment, and deliver an improved and streamlined customer and carrier experience.

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The Exchange operating budget supported by this supplemental budget request includes the following activities:

- Provide a positive end-to-end customer experience—an average of 250 customer support representatives, the client specialist team (who facilitate resolution of complex customer cases), and costs associated with printing and translation of customer correspondence and outreach materials (for various languages).
- Maintain standard operations of and implement enhancements to the Washington Healthplanfinder IT system for continued real-time eligibility determinations and protection of customer information through licensing, upgrades, and ongoing security.
- Support community outreach through the Navigator program and tribal assisters, as well as the training of certified application counselors – those not being paid by the Exchange, but still require Exchange training to help customers enroll; and marketing to provide for advertising to bring in new customers.
- Provide mandated external audits and participate in reconciliation efforts with the carriers.
- Maintain the appeals program, agent and broker support staff, actuarial support, and required policy initiatives, such as the quality rating system.

The Exchange was initially funded through \$266 million of federal grants for design, development, and implementation, and the first year of operations. This request moves the Exchange from federal, developmental funding to state-appropriated funds.

In 2013, the Legislature approved three funding sources for the Exchange. The first is allocation to the Exchange of the current two percent premium tax paid by commercial health insurance issuers participating in the Exchange. The second is an Exchange carrier assessment that is in the form of a per-member-per-month payment estimated on an annual basis. The third is the Medicaid cost allocation of services being provided by the Exchange on behalf of Medicaid.

Under a revised cost allocation methodology, the HCA and the Exchange are using past and current experience to estimate approximately 37 percent of total Exchange expenditures to be paid by Medicaid from the initial grant allocation of approximately six percent. This increases the supplemental share of costs to Medicaid for from approximately \$3.4 million to approximately \$10.1 million.

The Legislature appropriated \$20 million for January 2015 through June 2015 to the Exchange. This \$20 million appropriation was set before the Exchange opened to customers, which prevented the Exchange from being able to offer supporting data and operational information based on experience.

The Exchange requests to raise its supplemental spending authority to \$28.9 million from \$20 million. Given the increase in Medicaid cost allocation to \$10.1 million, the Exchange requests an additional \$2.2 million.

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Questions related to this decision package should be directed to Joan Altman at (360) 688-7774 or at Joan.Altman@wahbexchange.org.

Fiscal Detail/Objects of Expenditure

	FY 2015	Total
1. Operating Expenditures:		
Fund 17T-1 Health Benefit Exchange	\$ 2,196,000	\$ 2,196,000
Fund 001-C GF-Federal Medicaid Title XIX	\$ 6,747,000	\$ 6,747,000
Total	\$ 8,943,000	\$ 8,943,000
	FY 2015	Total
2. Staffing:		
Total FTEs	146.0	146.0
	FY 2015	Total
3. Objects of Expenditure:		
A - Salaries And Wages	\$ 829,000	\$ 829,000
B - Employee Benefits	\$ 273,000	\$ 273,000
C - Personal Service Contracts	\$ 7,440,000	\$ 7,440,000
E - Goods And Services	\$ 401,000	\$ 401,000
G - Travel	\$ -	\$ -
J - Capital Outlays	\$ -	\$ -
N - Grants, Benefits & Client Services	\$ -	\$ -
Other (specify) -	\$ -	\$ -
Total	\$ 8,943,000	\$ 8,943,000
	FY 2015	Total
4. Revenue:		
Fund 001-C GF-Federal Medicaid Title XIX	\$ 6,747,000	\$ 6,747,000
Total	\$ 6,747,000	\$ 6,747,000

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

As a result of this funding change, the Exchange will be well positioned to continue to leverage the initial federal investment and suitably resourced to meet its targets associated with new enrollees and those renewing their health coverage. At the heart of this outcome is the fiscal support for foundational pieces related to the customer experience and support network – both of which will

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assist in reducing costs, increasing revenue and capturing federal contributions for the state. It will also foster an environment whereby carriers will continue to participate in the individual and small group market, offering meaningful and affordable choices to customers.

Recent forecasts call for 200,000 additional residents to receive coverage through the individual market from 2015 through 2017. This increased enrollment will generate approximately \$4 billion in total premium payments and \$84 million in issuer premium tax receipts. A key component of this effort is the Exchange's ability to provide eligibility determination for all its customers. This simplifies real-time enrollment of Washington residents into Medicaid programs, a process that previously could take up to 45 days. The streamlining of this process, coupled with an aggressive outreach and marketing campaign, has resulted in Medicaid enrollment through the Exchange already exceeding 2018 enrollment targets.

A central ingredient for reaching enrollment targets will be the maintaining and augmenting of the existing customer support framework. This framework will allow those seeking enrollment assistance continued access to the call center, statewide partner network (Navigators), and the growing number of participants in the state's agent and broker community.

The Exchange will also continue to leverage successful communications vehicles, including paid advertising, sponsorships and public relations efforts, as well as create helpful outreach tools to meet the needs of those eligible for Exchange products. Such outreach complements the work done by the carriers to build interest both in the Exchange and the plans they offer.

As it moves from the initial start-up phase to an operational phase, the Exchange has distinguished itself as one of the most efficient and effective marketplaces in the country. As a grantee, the federal Department of Health and Human Services (HHS) has said that the Washington Health Benefit Exchange has offered one of the highest returns on investment when looking at grant dollars received and enrolled individuals. For years 2015 through 2017, the enrollment cost as a percentage of premium is expected to decline from about 3.8 percent to 3.0 percent. This is less than the 3.5 percent cost per enrollment the federal government currently charges states participating in the federal marketplace.

Performance Measure Detail

Activity Inventory

Not applicable

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This request will make the Healthplanfinder system easier to use for customers and will make the marketplace more inviting and competitive to carriers. Specifically, the increased spending authority will leverage current federal investments to build an improved, customer-friendly eligibility and enrollment process; increased access to affordable health plans; informed customer choice; and enhanced health plan competition.

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Does this decision package provide essential support to one or more of the Governor’s Results Washington priorities?

This request supports Governor Inslee's health care priorities including: enrollment of families in affordable insurance plans and Apple Health; offering comprehensive health plan information so families and businesses can make better health care purchasing decisions; and increasing the transparency of cost and coverage options so families and businesses know the cost and quality of the care they purchase through the Exchange.

In addition, this request supports Governor Inslee's economic development priorities. The process of The Exchange has created hundreds jobs for residents across Washington State including 200 in the Spokane based call center, over 225 in the Olympia based corporate headquarters, and a subsidized partner network across Washington including ten lead organizations and over 300 community partners.

What are the other important connections or impacts related to this proposal?

The content of this request has been reviewed and discussed with numerous stakeholders including: the business community, the hospital and health care provider community, the carriers, advocates, outreach workers, and Exchange workgroups and committees. As a whole, each group recognizes the need for a viable marketplace and that the Exchange is required under federal and state law to perform certain functions. With regard to discretionary functions, some stakeholders have advocated for increased funding for the outreach and marketing program, the Navigator program, and new and enhanced online tools for customers. Some stakeholders have also expressed that the Exchange should stop performing certain discretionary functions, such as premium aggregation.

While this request incorporates stakeholder feedback, it also balances the business and operational requirements for maintaining an efficient and effective customer experience through the eligibility determination process, and carefully manages adding enhancements and improvements critical to the ongoing success of the Exchange.

This request leverages existing relationships with important community partners and maintains the existing Exchange structure which supports approximately 10 distinct Exchange committees (e.g., Dental Technical Advisory Committee, Health Equity Technical Advisory Committee, Healthplanfinder Business Technical Advisory Committee, Navigator Technical Advisory Committee) and workgroups that provide opportunities for stakeholder engagement.

Maintaining a state-based Exchange supports further development of a system that can be tailored to meet the unique needs of Washington residents, state decision makers and local health care markets.

What alternatives were explored by the agency, and why was this alternative chosen?

The Exchange Board has stated that a \$40 million annual operating budget is insufficient to maintain current Exchange operations. The federal government has identified the Washington Health Benefit Exchange at operational risk with this level of funding. A \$40 million annual budget would result in

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significant cuts to the call center, resulting in projected wait times of up to 90 minutes, a minimal outreach and marketing program, a minimal Navigator program, no additional broker support, and a reduction in staff that would result in decreased operational efficiencies.

This Exchange Board considered alternative options that were both lower and higher than the amount they ultimately voted to support. The Board initially discussed the operational implications of a lower budget, which would support maintenance of existing, integrated system functions, but significantly reduce other areas of discretionary spending. The Board felt this level of funding introduced an unacceptable level of risk. The Board also felt that funding for the Navigator program and marketing needed to be increased to achieve the enrollment targets that will ensure long-term financial stability of the Exchange.

The Board discussed several alternative proposals that would have increased spending levels, including adding significant system enhancements. However, the Board recognized the need to optimize current system functionality before adding additional features.

What are the consequences of adopting this package?

If adopted as requested, residents will have a more customer-friendly eligibility and enrollment experience with meaningful, affordable plan options in the individual and small group markets. Customers will be supported by a customer assister network that includes Navigators, agents and brokers, and other valuable community partners. Overall enrollment in the individual market is projected to increase by 200,000 from 2015 through 2017, which will generate premium tax revenue that will reduce the carrier assessment amount and bring additional revenue to the state in the form of tax credits and cost sharing reductions. It would also allow for continued Medicaid enrollments, resulting in additional federal funds.

The Exchange will be able to continue to support stakeholder engagement through its regularly meeting Advisory Committee, Technical Advisory Committees, and Workgroups that provide essential input from customers and experts in the field.

What is the relationship, if any, to the state capital budget?

None

What changes would be required to existing statutes, rules, or contracts, in to implement the change?

None

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Expenditure and Revenue Calculations and Assumptions

Revenue Calculations and Assumptions:

Please see Table 1 below.

Expenditure Calculations and Assumptions:

Please see Table 1 below.

Which costs, savings, and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

The approximately \$1.6 million being used to extend the service of critical IT contractors is a one-time cost. The remaining costs will carry forward into future biennia.

TABLE 1

SFY 2015

OPERATING EXPENSE/FTE	TOTAL HBE	EXEC. OFFICE	IT	COMM.	OPS (NG)	POLICY	ADMIN & FIN.	OPS (SHOP)	LEGAL
FTEs	146	4	43	17	34	10	22	9	7
Objects									
A - Salaries	829,000	66,000	270,000	105,000	166,000	41,000	103,000	42,000	36,000
B - Benefits	273,000	22,000	89,000	34,000	55,000	13,000	34,000	14,000	12,000
C - Marketing & Advertising	1,000,000	-	-	1,000,000	-	-	-	-	-
C - Consulting & Professional Service	502,000	-	-	-	-	1,000	501,000	-	-
C - Contractual - Systems/Operations Relat	5,938,000	-	1,618,000	-	4,320,000	-	-	-	-
E - General & Administrative	401,000	-	-	-	-	-	401,000	-	-
ED - Facilities Related	-	-	-	-	-	-	-	-	-
G - Travel	-	-	-	-	-	-	-	-	-
J - Capital Outlays/Equipment	-	-	-	-	-	-	-	-	-
TZ - IT Infrastructure	-	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSE	\$8,943,000	\$88,000	\$1,977,000	\$1,139,000	\$4,541,000	\$55,000	\$1,039,000	\$56,000	\$48,000

FUNDING SOURCES

Premium Tax	2,196,000
Issuer Assessment	-
Medicaid Reimbursement	6,747,000
TOTAL REVENUE	8,943,000